

Food Spending in Relation to Income

Food spending has increased considerably over the years, but the increase has not matched the gain in disposable income (the amount of money families and individuals have available to spend or save). As a result, the percentage of income spent for food has declined (table 22). In 1929, the first year data of this type were recorded, 23.9 percent of disposable income was spent for food. This percentage has since tapered off fractionally almost every year. By 1970, the percentage had dropped to 13.8 percent. During the 1970's, the percentage held fairly constant because of high food-price inflation. By 1980, food spending was still 13.4 percent of disposable income, but has since declined steadily to reach a low of 10.7 percent in 1997 (fig. 5).

The decline in the percentage of income spent for food is the result of the inelastic nature of the aggregate demand for food: as income rises, the proportion of income spent for food declines, and the proportion spent for nonfood items increases. A decline in the percentage of income spent for food generally reflects a highly developed economy in which there is money to spend for personal services and other discretionary items. Some of these additional services ordinarily are purchased along with food, which largely explains why the percentage of income spent for food away from home has not fallen as has the percentage of income spent for food at home. It should be noted that the food-at-home market itself now includes a larger service component through packaging and foods that require little preparation by consumers (but greater use of labor inputs), such as frozen dinners.

ERS developed the estimates of food expenditures in table 22, which differ from the U.S. Department of Commerce estimates of personal consumption expenditures (PCE). The trend in food expenditures is similar, but the ERS series shows a lower level of spending for food than does the PCE series, particularly for food purchased at grocery stores and other retail outlets for consumption at home. The ERS estimates of at-home expenditures are lower partly because they exclude pet food, ice, and prepared feeds, which are included in PCE estimates. ERS estimates also deduct more from grocery store sales for nonfoods, such as drugs and household supplies, in estimating food purchases for at-home consumption.

Figure 5

Share of income spent for food

Food spending by families and individuals has declined to 10.7 percent of disposable personal income in the last 30 years.

